GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4018
ANSWERED ON:09.08.2002
ACCOUNTING SCAM IN US
BRAHMANAND MANDAL;RATTAN LAL KATARIA

Will the Minister of FINANCE be pleased to state:

(a) whether the Indian economy/Indian stock markets likely to be affected by reported accounting scams in scamsin several u.s. corporates;

(b) if so, the steps taken by the Government to tackle situation;

(c) whether Indian companies have any business ~ with the companies involved in account scams; I

(d) if so, the action taken by the Government against companies?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF NCE AND COMPANY AFFAIRS (SHRI ANANT GARAM GEETE) :

(a) and (b) According to the unties and Exchange Board of India(SEBI), reported unting scams in several U.S. Corporates may not have direct impact on the Indian economy/Indian stock markets pt in cases where there are commercial dealings beteen Indian and U.S. Comapanies.

Two basic issues have emerged from the accounting iem in U.S. companies, one of corporate governance ther of accounting principles. The problems in the USmarket highlight the need for moving from `from` to lent` in the area of corporategovernance and from based to principle based` accounting.

The Standing Committee of SESI on Accounting Standards set up wider the Chairmanship of Shri V.H. Malegam, reviews the continuous disclosure requirements under the Listing Agreement for the listed companies and provides inputs t? the Institute of Chartered Accountants of India (ICAI) for evolving new accounting standards and review the existingones wherever required in order to make disclosure standards and accounting practices at par with the international practices.

As recommended by the Committee, SESI has already prescribed. additional disclosure requirements for listed companies whereby companies are mandatorily required to comply with all the accounting standards issued by ICAI. Some of the important disclosure requirements prescribed during the past two years include segment reporting, deferred taxes, related party disclosures, consolidated financial statements etc.

Further, companies are mandatorily required to disclose audit qualifications alongwith the quarterly results and also the impact of audit qualifications on profit or loss.

In view of the recent developments in United States with regard to Enron, World Com, etc.SESI has referred issues arising out of these events to the Accounting Standards Standing Committee to examine whether any additional requirements of disclosures needs to be prescribed and how best the accounting standards can deal with these issues.

(c) and (d) The informa.tion is being collected and will be placed on the Table of the House.